

September Quarter 2018 Results



This presentation contains certain financial measures that are not recognized under generally accepted accounting principles in the United States (“GAAP”), including adjusted EBITDA (including adjusted EBITDA margin), adjusted EBITA (including adjusted EBITA margin), marketplace-based core commerce adjusted EBITA, non-GAAP net income, non-GAAP diluted EPS and free cash flow. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see GAAP to Adjusted/Non-GAAP Measures Reconciliation.

This announcement contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “potential,” “continue,” “ongoing,” “targets,” “guidance” and similar statements. Among other things, statements that are not historical facts, including statements about Alibaba’s strategies and business plans, Alibaba’s beliefs, expectations and guidance regarding the growth of its business and its revenue, the business outlook and quotations from management in this announcement, as well as Alibaba’s strategic and operational plans, are or contain forward-looking statements. Alibaba may also make forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the “SEC”), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: Alibaba’s expected revenue growth; Alibaba’s goals and strategies; Alibaba’s future business development; Alibaba’s ability to maintain the trusted status of its ecosystem, reputation and brand; risks associated with increased investments in Alibaba’s business and new business initiatives; risks associated with strategic acquisitions and investments; Alibaba’s ability to retain or increase engagement of consumers, merchants and other participants in its ecosystem and enable new offerings; Alibaba’s ability to maintain or grow its revenue or business; risks associated with limitation or restriction of services provided by Alipay; changes in laws, regulations and regulatory environment that affect Alibaba’s business operations; privacy and regulatory concerns; competition; security breaches; the continued growth of the e-commerce market in China and globally; risks associated with the performance of our business partners, including but not limited to Ant Financial; and fluctuations in general economic and business conditions in China and globally and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in Alibaba’s filings with the SEC. All information provided in this results announcement is as of the date of this results announcement and are based on assumptions that we believe to be reasonable as of this date, and Alibaba does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

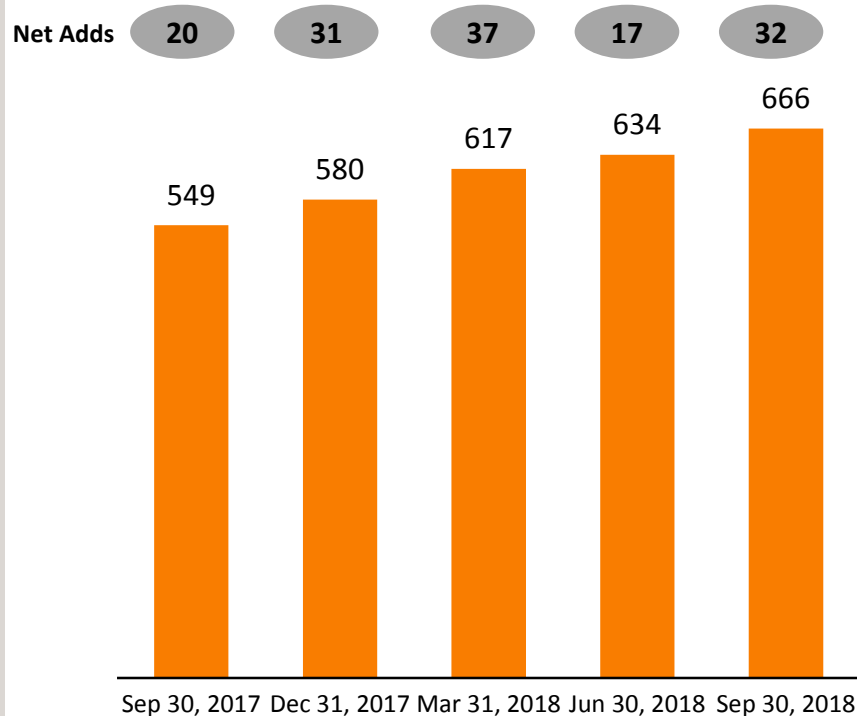
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Business and Strategic Updates

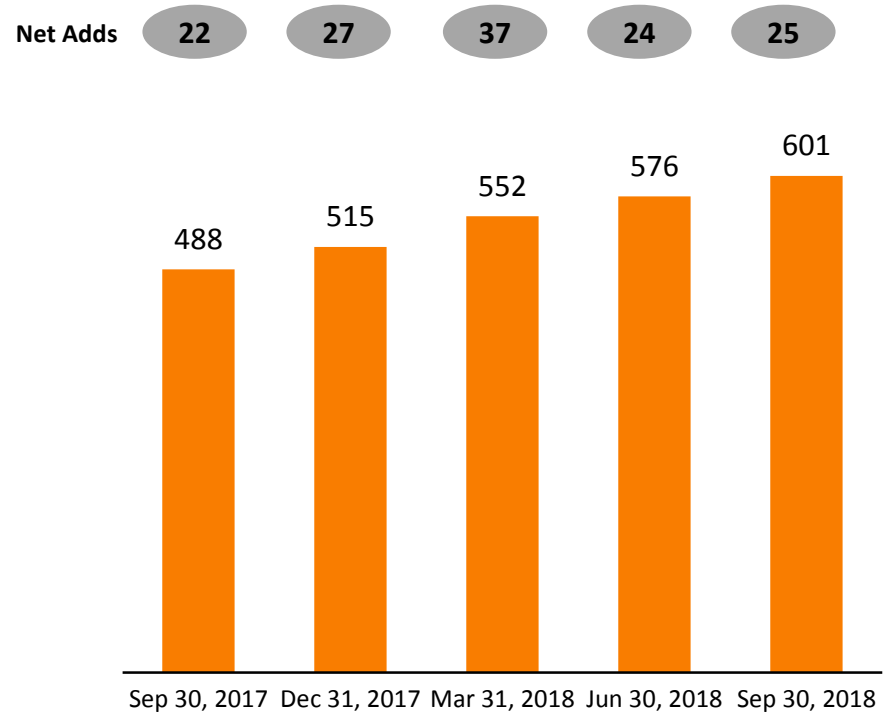
Accelerated Growth in User Base and User Engagement

- **Mobile MAUs⁽¹⁾** on our China retail marketplaces reached 666 million in September 2018, an increase of 32 million over June 2018.
- **Annual active consumers⁽²⁾** on our China retail marketplaces reached 601 million, an increase of 25 million from the 12-month period ended June 30, 2018.

Mobile MAUs⁽¹⁾ (in MM)



Annual Active Consumers⁽²⁾ (in MM)



Notes:

(1) For the month ended on the respective dates.

(2) For the twelve months ended on the respective dates.

Better Segmentation Drives Better User Experience

- The new mobile Taobao interface, which is based on individual user's shopping behavior, enables us to segment consumers, and thereby further enhance user experience for different types of consumers.

New User



More
apparent
coupons

Experienced User



More value
for money
modules like
“Everyday
Low Price”

Advanced User

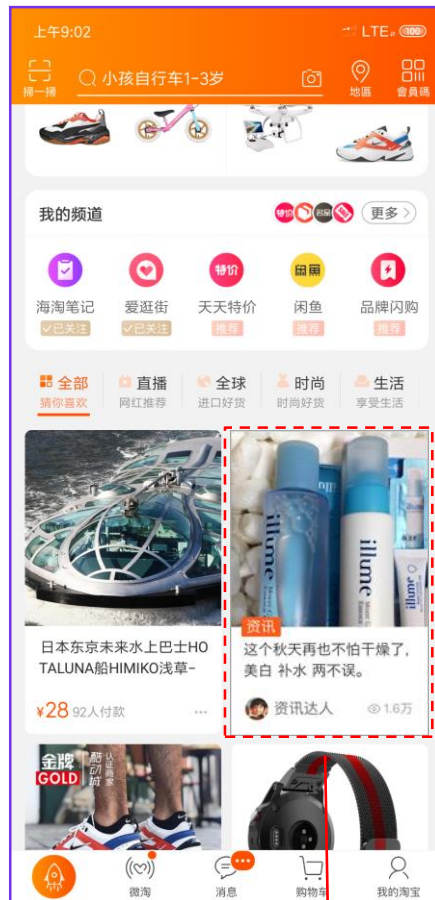


Favorite
shopping
channels

Creating New Demand – Merchants Able to Engage with Consumers through the Entire Discovery Journey

1 Pre-Purchase

Build awareness and interest



- **Curated blogs:** generate interest

2 Purchase

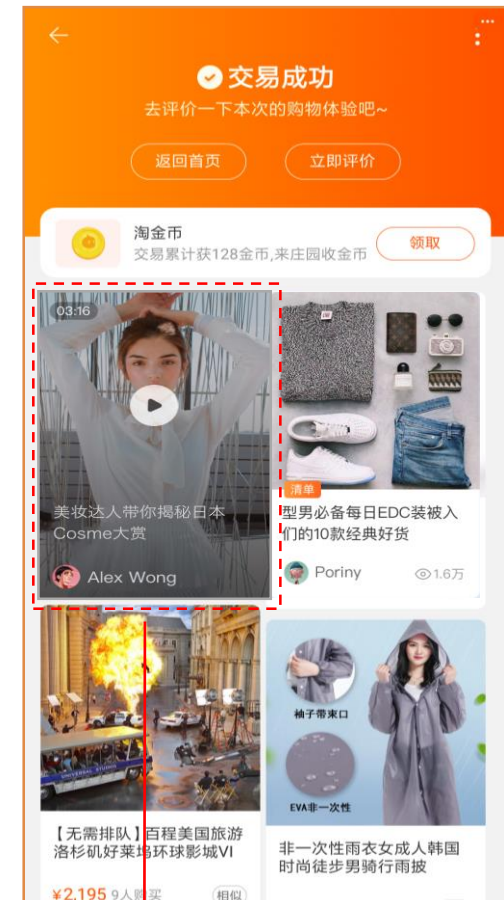
Activate purchase intent



- **Red packets:** stimulate purchase

3 Post-Purchase

Create more demand and retain consumers



- **Theme-based KOL videos:** other recommendations in the same and related categories

Prominent Recommendation Sections Support More Monetizable Properties

Old Version
Channel-based



New Version
Recommendation-based



- **Optimized search:** Added a secondary row of recommended search phrases

- **Customized entry points:**
Customizable favorite verticals

- **Personalized thematic slots:**
Shown based on user segmentation

Recommendation section

- More prominent on the frontpage
- Better discovery experience from larger sized pictures by category
- Theme-based personalized content

4 scrolls



1 scroll



Tmall – Continuing to Expand Market Leadership

- Tmall physical goods paid GMV grew 30% YoY in the quarter. We enjoyed robust growth in all categories, including strong performance in the FMCG, home furnishing and apparel categories.



- During the quarter, brands such as **Stella McCartney**, **Theory**, **Sergio Rossi** and **Qeelin** launched flagship stores on Tmall and joined the Luxury Pavilion.
- In October, we announced a partnership with Swiss luxury group Richemont, the parent company of luxury brands including Cartier, to launch a China joint venture with Richemont-owned Yoox Net-a-Porter (YNAP), the world's leading online retailer for luxury goods. This partnership will bring Chinese consumers unprecedented access to the world's leading luxury brands.



The 10th 11.11 Global Shopping Festival



- This year, we will offer high-quality products, entertainment and fast, reliable services to hundreds of millions of consumers in China and around the world. As in past years, we will demonstrate the power of our commerce infrastructure and the Alibaba digital economy at scale.



Unprecedented Scale and Reach

- This year's festival will feature 180,000 participating brands. In addition, we will unleash the synergies of online/offline integration as we deploy the New Retail business model and technologies in 200,000 smart stores in China across multiple retail categories.

Note:

* Represents our unconsolidated business.

New Retail - Redefining Consumption Patterns for the Future

- **Hema:** As of September 30, 2018, there were 77 self-operated Hema stores in China, primarily located in tier 1 and tier 2 cities. Mature Hema stores (i.e. those in operation for at least 1.5 years) continued to show high sales productivity, with online sales accounting for over 60% of total sales in the quarter.



Progress in Digitizing Partner Retailers and Enabling Their New Retail Model

- During the quarter, we have enabled over 350 of approximately 470 Sun Art stores to fulfill online orders by connecting these stores and their warehouse systems to Taobao's fresh food and general merchandise delivery channel (Taoxianda). Consumers living within a three-kilometer radius of a connected Sun Art store can purchase groceries for on-demand delivery from their Taobao App.

Local Services – Integration of Ele.me and Koubei

- In October 2018, we combined the operation of food delivery service Ele.me and online restaurant guide business Koubei under a single management team. The combination of Ele.me and Koubei will accelerate the integration of consumer insights and restaurant management with enhanced operating efficiency, as well as improve cooperation with other Alibaba businesses.



International – Further Investments for Long-term Growth

- In September, Alibaba partnered with Russian Direct Investment Fund (RDIF), the sovereign wealth fund of the Russian Federation, MegaFon, a pan-Russian operator of digital opportunities and Mail.Ru Group, the leading Internet and IT company in Russia, to form a new strategic partnership to integrate Russia's key consumer Internet and e-commerce platforms and launch a leading social commerce joint venture in Russia and the CIS.



- In this quarter, we held the largest cloud computing conference in China. More than 70,000 people attended the conference in person, and over 10 million watched the livestream online.
- We also launched over 600 products and features, including those related to big data analytics and AI application innovation, security, and IoT service enhancements.

Important Product Launches in this Quarter

Alibaba Cloud launched Apsara 2.0 in September. **Apsara 2.0** is a comprehensive upgrade of our cloud computing operating system based on our proprietary distributed computing architecture. The system enables enterprises with enhanced computation performance, flexible hybrid cloud implementation and more efficient network connection. With the upgrade, developers can leverage Alibaba Cloud IoT solutions to bring edge computing capability to connected devices at scale and seamlessly integrate with cloud networks.



Youku

- Growth of Youku's daily average subscribers continued to be robust, **increasing over 100% year-over-year** during the quarter. Our original reality show "**Slam-dunk of China**" has become a new hit among young audiences in China. Fox Networks Group has purchased the rights for countries and regions outside of China.



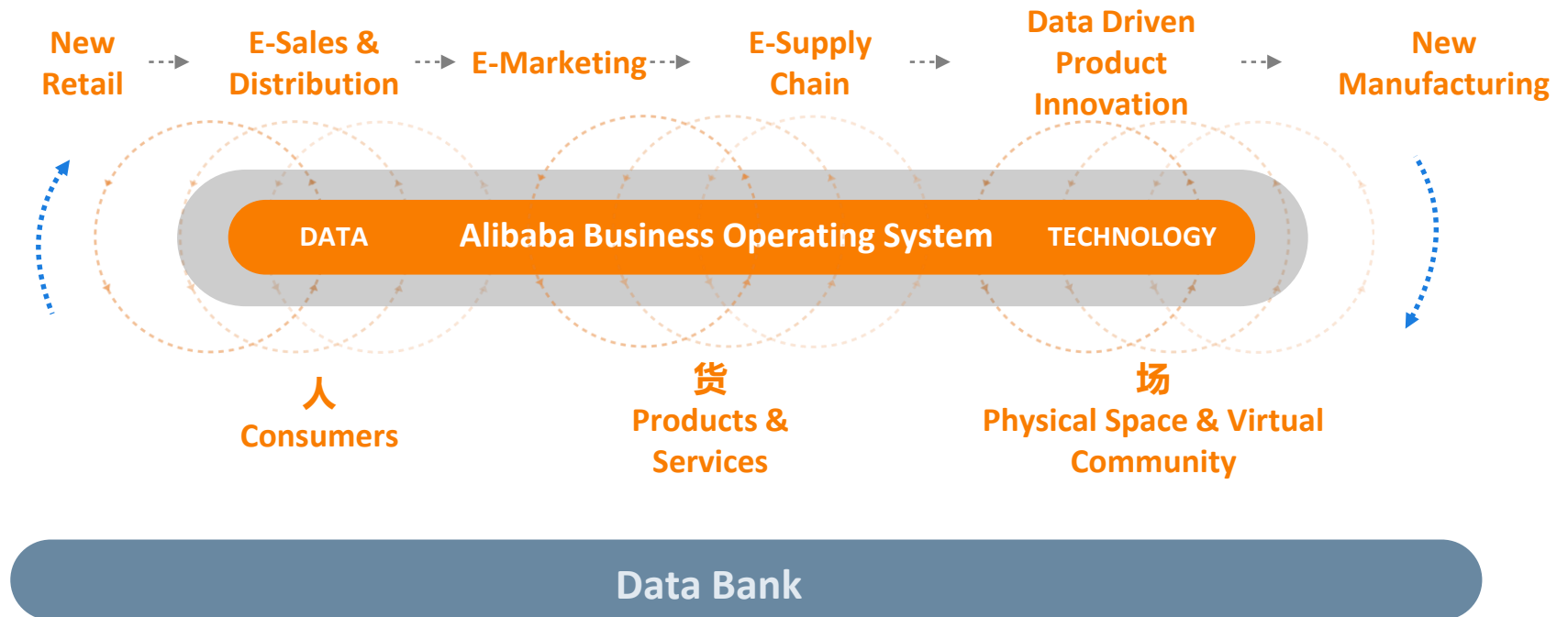
Innovation Initiatives

Amap (formerly AutoNavi)

- Amap App, the largest map app and location-based technology platform in China, integrates a wealth of data to offer users the best experience during each phase of their journey.
- On October 1, 2018, the first day of the week-long National Day holiday in China, Amap set a record high by reaching over **100 million DAUs**.



Alibaba Business Operating System

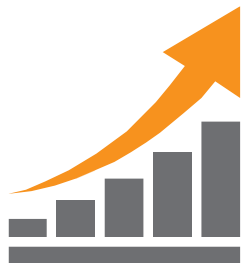


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Financial Results

September Quarter 2018 Financial Highlights

Revenue



54% YoY
Total Revenue Growth

56% YoY
Core Commerce
Revenue Growth

Cloud



90% YoY
Cloud Computing
Revenue Growth

Consumers



666 MM
Mobile MAUs ⁽¹⁾

601 MM
Annual Active Consumers ⁽²⁾

Profitability and Cash Flow



RMB23.2 Bn
Adjusted EBITA

US\$2.3 Bn⁽³⁾
Non-GAAP Free Cash Flow

Notes: Unless otherwise indicated, all figures above are for the three months ended September 30, 2018.

(1) For the month ended September 30, 2018; in a given month, the number of unique mobile devices that were used to visit or access certain of our mobile applications at least once during that month.

(2) For the 12-month period ended September 30, 2018; the number of annual active consumers on our China retail marketplaces.

(3) All translations of RMB into US\$ were made at RMB6.8680 to US\$1.00, the exchange rate on September 28, 2018 as set forth in the H.10 statistical release of the Federal Reserve Board.

Quarterly Revenue

- Total revenue YoY growth of 54% was mainly driven by the robust revenue growth of our China commerce retail business, the consolidation of Ele.me and Cainiao Network, as well as strong revenue growth of Alibaba Cloud.
- Our revenue growth during the quarter continued to outperform that of global technology peers.

Total Revenue Breakdown⁽¹⁾

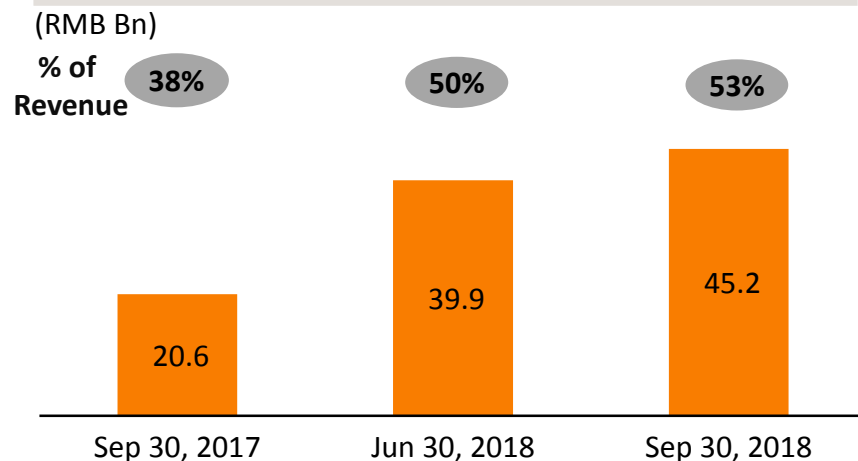
	<u>Three months ended September 30, 2018</u>		
	<u>RMB MM</u>	<u>% of Revenue</u>	<u>YoY %</u>
Core commerce:			
China commerce retail			
- Customer management	32,920	39%	25%
- Commission	13,136	15%	31%
- Others	8,095	10%	151%
	<u>54,151</u>	<u>64%</u>	<u>37%</u>
China commerce wholesale	2,497	3%	46%
International commerce retail	4,464	5%	55%
International commerce wholesale	2,022	2%	22%
Cainiao logistics services	3,206	4%	N/A
Consumer services	5,021	6%	N/A
Others	1,114	1%	68%
Total core commerce	<u>72,475</u>	<u>85%</u>	<u>56%</u>
Cloud computing	5,667	7%	90%
Digital media and entertainment	5,940	7%	24%
Innovation initiatives and others	1,066	1%	20%
Total	<u>85,148</u>	<u>100%</u>	<u>54%</u>

Notes: We started to consolidate Cainiao Network in mid-October 2017 and Ele.me in May 2018.

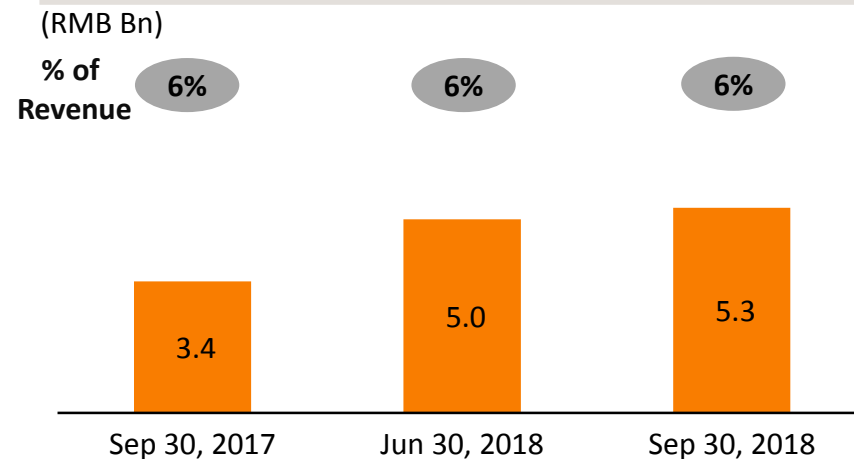
(1) After elimination of inter-company transactions.

Quarterly Cost Trends

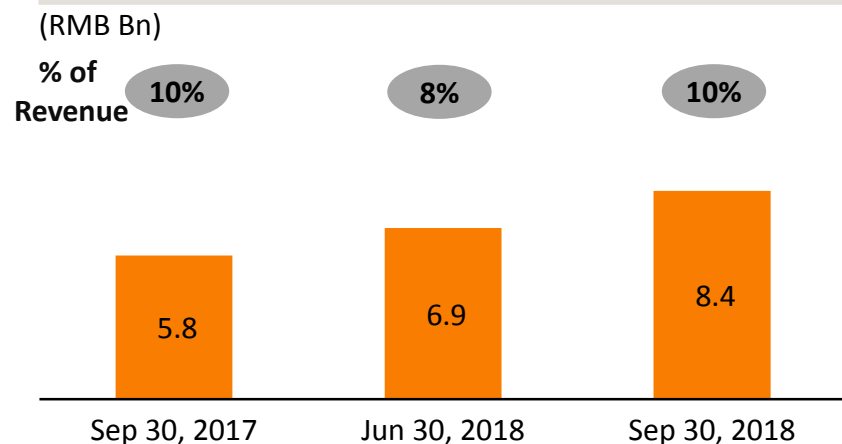
Cost of Revenue (Excluding SBC)



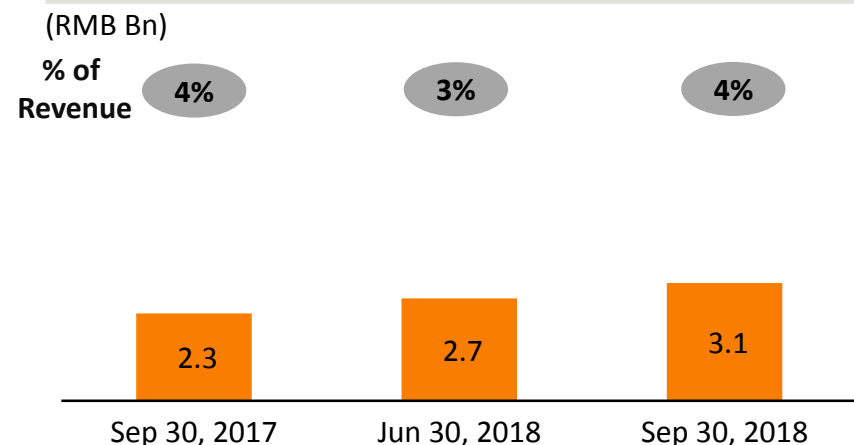
Product Development Expenses (Excluding SBC)
































Sales & Marketing Expenses (Excluding SBC)



General & Administrative Expenses (Excluding SBC)



September Quarter Segment Reporting

	Core Commerce <i>China Commerce Retail</i>          <i>China Commerce Wholesale</i>  <i>International Commerce Retail</i>   <i>International Commerce Wholesale</i>  <i>Cainiao Logistics Services</i>  <i>Consumer Services</i> 	Cloud Computing 	Digital Media & Entertainment         	Innovation Initiatives & Others    	Un-allocated⁽²⁾	Consolidated
Sep Q 18 Revenue (MM)	RMB 72,475 US\$ 10,553 56% YoY	RMB 5,667 US\$ 825 90% YoY	RMB 5,940 US\$ 865 24% YoY	RMB 1,066 US\$ 155 20% YoY	-	RMB 85,148 US\$ 12,398 54% YoY
Sep Q 18 Adjusted EBITA (MM)	RMB 29,807 US\$ 4,340	RMB (232) US\$ (34)	RMB (3,802) US\$ (554)	RMB (1,241) US\$ (181)	RMB (1,377) US\$ (200)	RMB 23,155 US\$ 3,371
Sep Q 18 Adjusted EBITA Margin (%)	41%	(4%)	(64%)	(116%)		27%

Notes:

(1) Segmental information is presented after elimination of inter-company transactions.

(2) Unallocated expenses are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

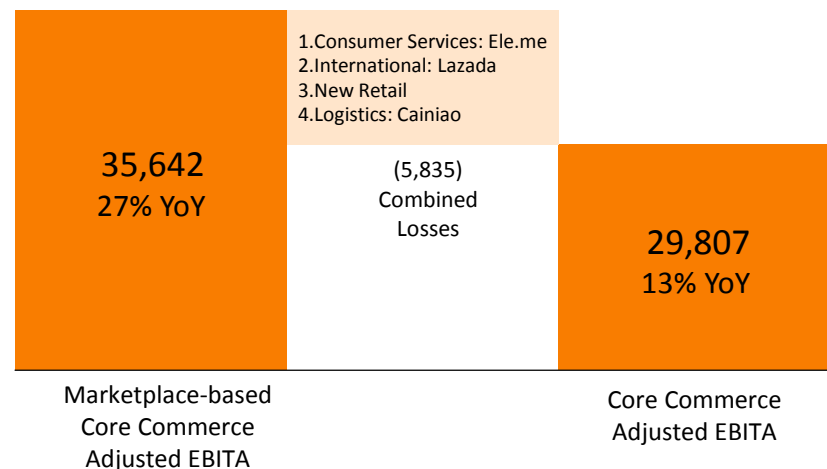
All translations of RMB into US\$ were made at RMB6.8680 to US\$1.00, the exchange rate on September 28, 2018 as set forth in the H.10 statistical release of the Federal Reserve Board.

Core Commerce Adjusted EBITA

- **Marketplace-based Core Commerce Adjusted EBITA⁽¹⁾** grew 27% YoY to RMB35.6 billion (US\$5.2 billion). Strong marketplace-based core commerce profits allow us to invest in areas that add value to our customers and contribute to long-term growth for the company.
- **Core Commerce Adjusted EBITA** grew 13% YoY to RMB29.8 billion (US\$4.3 billion), reflecting ongoing investments in four strategic but loss-making businesses. For the September quarter, these businesses ranked in order from highest to lowest losses would be as follow:
- Ele.me losses increased QoQ due to: (1) full quarter loss contribution and (2) higher spending for user acquisition.

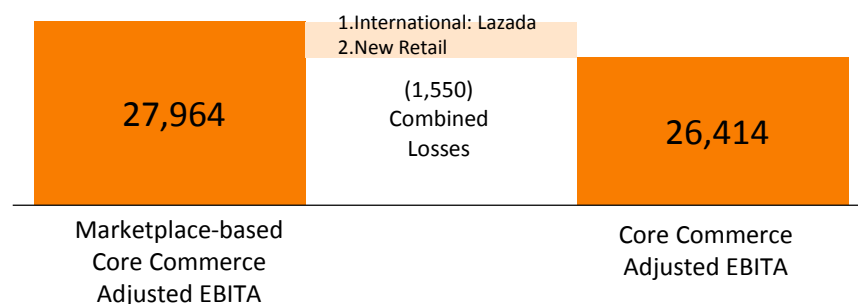
September Quarter 2018

(RMB MM)



September Quarter 2017

(RMB MM)



Notes:

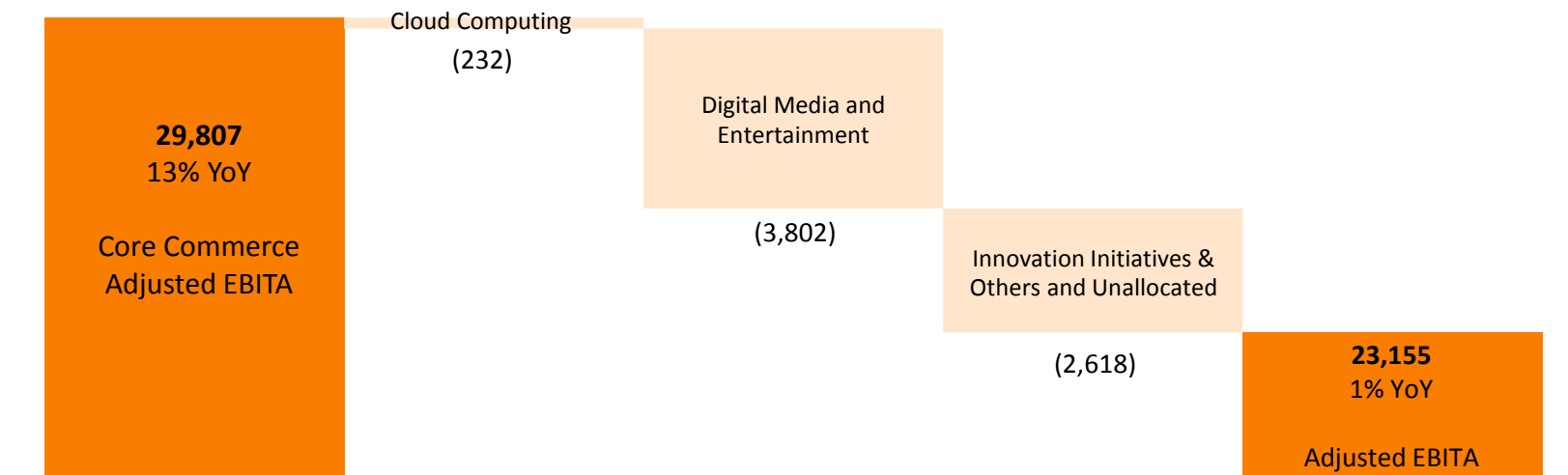
- (1) Marketplace-based core commerce adjusted EBITA represents adjusted EBITA for core commerce excluding the effects of (i) Ele.me and Cainiao Network consolidation as well as (ii) strategic investments in New Retail and Lazada.
- (2) New Retail primarily includes Hema and Intime.

Adjusted EBITA by Segment

- **Cloud Computing** revenue increased 90% YoY to RMB5,667 million (US\$825 million). Adjusted EBITA was a loss of RMB232 million (US\$34 million), reflecting our increased investments in infrastructure and capacity in anticipation of additional customers.
- **Digital Media and Entertainment** revenue increased 24% YoY to RMB5,940 million (US\$865 million). Adjusted EBITA was a loss of RMB3,802 million (US\$554 million), primarily due to our investments in the production of original content and licensing rights, including the rights for live streaming the World Cup games in China.
- **Innovation Initiatives and Others** revenue increased 20% YoY to RMB1,066 million (US\$155 million). Adjusted EBITA was a loss of RMB1,241 million (US\$181 million), primarily due to investments in new business initiatives, including Tmall Genie.

September Quarter 2018

(RMB MM)



Other Financial Metrics

- **Exchange Loss:** In this quarter, we had exchange loss of RMB907 million (US\$132 million) driven by the depreciation of RMB against the U.S. Dollar.
- **Profit Sharing from Ant Financial:** Ant Financial's net loss in the quarter led to our reversal of income recognized in respect of royalty fees and software technology service fees. The reversal of income amounted to a charge of RMB910 million (US\$132 million) in the quarter. The decrease was the result of Ant Financial's investments in user acquisition, product innovation and international expansion.
- **Tax Expenses and Effective Tax Rate:** For the quarter, our effective tax rate was 2%. The decrease in effective tax rate was primarily due to the recognition of tax credits of approximately RMB4.7 billion (US\$684 million), as certain key subsidiaries were notified of the renewal of their Key Software Enterprise status for calendar year 2017 by the relevant tax authorities. Excluding SBC expense, investment gain/loss, impairment of investments, as well as the above-mentioned tax credits from the renewal of the Key Software Enterprise status, our effective tax rate would have been 23%.
- **Share of Results of Equity Investees** was a profit of RMB1,254 million (US\$182 million). We record our share of results of equity investees one quarter in arrears. Share of results of equity investees in the quarter ended September 30, 2018 and the comparative periods consisted of the following:

In RMB MM	Sep Q 2017	Sep Q 2018
Share of (loss) profit of equity investees:		
- Koubei*	(369)	—
- Cainiao Network**	(273)	—
- Other equity investees	190	1,735
Dilution loss	(14)	(41)
Others***	(416)	(440)
TOTAL	(882)	1,254

Notes:

* We have ceased to recognize our share of losses of Koubei as our cumulative share of losses exceeded our investment in Koubei.

** We started to consolidate Cainiao Network in mid-October 2017 after obtaining control over Cainiao Network.

*** Others mainly include amortization of intangible assets of equity investees and share-based compensation expense.

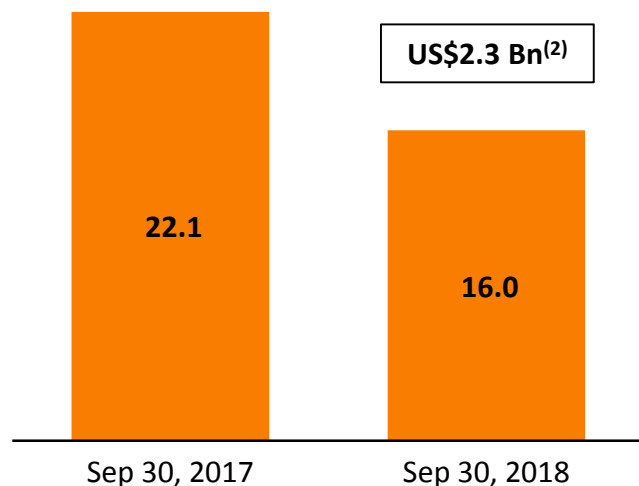
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Free Cash Flow & Capital Expenditures

- As of September 30, 2018, cash, cash equivalent and short-term investments were RMB171.9 billion (US\$25.0 billion). The decrease was primarily due to cash used in investing activities, including acquisition of Trendyol and investments in Focus Media, partly offset by free cash flow generated from operations. We generated robust operating cash flow of RMB31.4 billion (US\$4.6 billion) and healthy free cash flow of RMB16.0 billion (US\$2.3 billion) during the quarter.
- Higher operating capex⁽³⁾ spending relating to our technology infrastructure, New Retail and Cainiao businesses, coupled with increases in licensed copyrights and intangible assets from our Digital Media & Entertainment segment, resulted in the YoY decrease in free cash flow.
- In September 2018, we announced an ADS repurchase plan to implement the previously announced US\$6 billion share repurchase program. As of November 1, 2018, we have repurchased approximately 9.12 million of our shares for a total purchase price of approximately US\$1.33 billion.

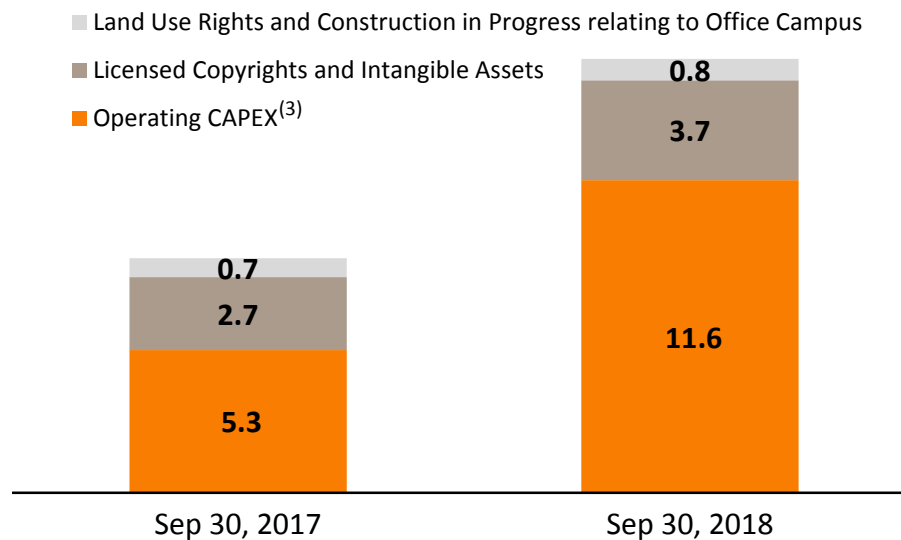
Non-GAAP Free Cash Flow ⁽¹⁾

(RMB Bn)



Capital Expenditures, Licensed Copyrights and Intangible Assets

(RMB Bn)



Notes: Unless otherwise indicated, all figures in the above charts are for the three months ended on the respective dates.

(1) Non-GAAP free cash flow represents net cash provided by operating activities as presented in Alibaba Group's consolidated cash flow statement less purchases of property and equipment, licensed copyrights and intangible assets (excluding acquisition of land use rights and construction in progress relating to office campus).

(2) All translations of RMB into US\$ were made at RMB6.8680 to US\$1.00, the exchange rate on September 28, 2018 as set forth in the H.10 statistical release of the Federal Reserve Board.

(3) Operating CAPEX refers to the purchases of property and equipment (excluding land use rights and construction in progress relating to office campus).

GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended		
	September 30, 2017	September 30, 2018	
	(RMB MM)	(RMB MM)	(US\$MM)
Adjusted EBITDA			
Income from operations	16,584	13,501	1,966
Add: Share-based compensation expense	4,686	7,043	1,025
Add: Amortization of intangible assets	1,748	2,611	380
Adjusted EBITA	23,018	23,155	3,371
Add: Depreciation and amortization of property and equipment and land use rights	2,013	3,555	518
Adjusted EBITDA	25,031	26,710	3,889
Non-GAAP net income			
Net income	17,408	18,241	2,656
Add: Share-based compensation expense	4,686	7,043	1,025
Add: Amortization of intangible assets	1,748	2,611	380
Add: Impairment of investments	389	358	52
Less: Gain on deemed disposals/disposals/revaluation of investments and others	(2,297)	(5,297)	(771)
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Financial	66	66	10
Adjusted for tax effects on non-GAAP adjustments	89	431	63
Non-GAAP net income	22,089	23,453	3,415
Non-GAAP Free cash flow			
Net cash provided by operating activities	30,121	31,407	4,573
Less: Purchase of property and equipment (excluding land use rights and construction in progress relating to office campus)	(5,322)	(11,632)	(1,694)
Less: Acquisition of licensed copyrights and intangible assets	(2,680)	(3,742)	(545)
Non-GAAP Free cash flow	22,119	16,033	2,334

GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended		
	September 30, 2017	September 30, 2018	
Marketplace-based core commerce adjusted EBITA	(RMB MM)	(RMB MM)	(US\$MM)
Adjusted EBITA for core commerce	26,414	29,807	4,340
Less: Effect of Ele.me and Cainiao Network consolidation and strategic investments in New Retail and Lazada	1,550	5,835	850
Marketplace-based core commerce adjusted EBITA	27,964	35,642	5,190



Alibaba Group
阿里巴巴集团

